



January 31, 2010

The Honorable Vicki Nardello, Chair  
Speaker's Task Force on Electric Rates  
Legislative Office Building  
Hartford, Connecticut 06106

Dear Representative Nardello:

Attached are the recommendations of the Connecticut Municipal Electric Energy Cooperative (CMEEC) in response to your request for input on measures that can be implemented to reduce electric rates for customers of the Electric Distribution Companies.

CMEEC appreciates the opportunity to participate on the Task Force. Although there are numerous differences between the Electric Distribution Companies (EDCs) and the municipal electric utilities that CMEEC serves, lessons can be learned from comparing processes and results of the two different regulatory structures. In fact, one of the key advantages to policymakers of having public power is that it provides a benchmarking tool for evaluating the relative impacts of various policies and processes required of the EDCs for effectiveness. However, it is critical to keep in mind that CMEEC's historical results are the product of all of the tools it has at its disposal as well as its overall load characteristics.

Once again, thank you for the opportunity to participate in this important discussion.

Sincerely,

*Julie Cammarata*

Julie Cammarata  
Director, Government and Regulatory Affairs

Recommendations to the Speaker's Task Force on Reducing Electric Rates from the Connecticut  
Municipal Electric Energy Cooperative (CMEEC)

1. Sustained informed investment in energy efficiency and load control

Reductions to the amount of load requiring supply during normal hours and during peak periods have proven beneficial to Connecticut ratepayers as a whole and it is clear that continued emphasis can lead to additional economically achievable savings. Sustained informed investment in these areas will therefore save ratepayers money.

The Energy Conservation Management Board (ECMB) and the Connecticut Energy Advisory Board (CEAB) both produce a wealth of information to assist the Electric Distribution Companies (EDCs), regulators and policy-makers in evaluating appropriate levels of investment in these areas. For example, CEAB's Integrated Resource Plan (IRP) includes scenario analyses of varying types and levels of conservation and load control measures for cost effectiveness that can be used to guide investment decisions.

2. Consider exploring flexible procurement strategies

As was noted time and again by members of the Task Force panel, generation costs are the largest single component of retail electric rates. This component is driven by the underlying wholesale cost of electricity, regardless of the procurement strategy used. Wholesale cost drivers vary but most are outside the direct control of state regulatory authorities and purchasers in the market. However, the ability to seize opportunities to purchase at lows in the market can make a difference in the ultimate price consumers pay.

Currently, the EDC's Standard Offer procurement process is prescriptive by law, specifying to varying degrees when, how, what kind, and how much supply is bought. CMEEC's procurement strategy is more flexible, allowing it certain discretion to seize market opportunities when they occur. This greater flexibility has proven advantageous for CMEEC and may be worth exploring to some degree in future Standard Offer procurements as a means to reduce rates.

We caution that a tool such as procurement flexibility it is not a panacea in a volatile power market environment such as exists in New England. Not all transactions will ultimately reduce system cost if the market moves in unexpected directions. There are many differences between CMEEC and the EDCs that can also contribute to legitimate differences in their power supply procurement strategies. The most significant of these differences are associated with size. When CMEEC enters into a 25 MW transaction, there is little or no movement in market prices. When one of the EDCs executes a 300 MW – 500 MW transaction, it can have a significant impact on market prices. The results of a successful power supply procurement strategy are the product of all of the portfolio management tools a utility has at its disposal, including fuel and other hedging tools.

### 3. Continued informed investment in the grid's infrastructure

Rates have been and will continue to be impacted by the physical condition of the electric grid. For example, transmission constraints in southwest Connecticut had the effect of impeding the flow of cheaper power to load centers and keeping ratepayers reliant on older, less efficient and more expensive power. This resulted in ratepayers getting charges for congestion and uplift costs through the wholesale market. Transmission investments made for reliability in southwest Connecticut have had positive impacts toward reducing rates in the State by relieving these congestion-related charges. Continued active participation in ISO New England-administered regional planning and state-administered analyses can help to identify needed upgrades to the grid before the price impacts of physical deficiencies reach consumers.